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Hearing Date and Time: February 14, 2019 at 10:00 a.m.

and

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)
SEARS HOLDINGS CORPORATION, *et al.*,) Chapter 11
Debtors.) Case No. 18-23538 (RDD)
) (Jointly Administered)
)

**DECLARATION OF WALT LARNERD IN SUPPORT MOTION OF CERTAIN UTILITY
COMPANIES TO DETERMINE ADEQUATE ASSURANCE OF PAYMENT PURSUANT
TO SECTION 366(c) OF THE BANKRUPTCY CODE [Docket No. 1395]**

I, Walter Larnerd declare as follows:

1. I am the Supervisor, Revenue Assurance & Compliance for FirstEnergy Service Corp. and I have been the Supervisor for five years and with FirstEnergy Service Corp. for ten years. In my current position with FirstEnergy Service Corp. I assist in the credit and bankruptcy

operations of the following operating companies: West Penn Power Company, Monongahela Power Company, Potomac Edison Company, Toledo Edison Company, Metropolitan Edison Company, Jersey Central Power & Light Company, Pennsylvania Electric Company, The Cleveland Electric Illuminating Company, Ohio Edison Company and Pennsylvania Power Company (collectively, "FirstEnergy").

2. Except as otherwise stated, all facts contained within this Declaration are based upon personal knowledge, my review of FirstEnergy's business documents, correspondence and relevant documents, or my opinion based upon my experience concerning the operations of FirstEnergy. If called upon to testify, I would testify to the facts set forth in this Declaration.

3. On behalf of FirstEnergy, I submit this Declaration in support of the *Motion of Certain Utility Companies To Determine Adequate Assurance of Future Payment Motion* (the "Motion") [Docket No. 1395]

4. In making this Declaration, I am familiar with the contents of the Motion (Docket No. 1395), *Motion of Debtors Requesting Entry of an Order (I) Approving Debtors' Proposed Form of Adequate Assurance of Payment To Utility Providers, (II) Establishing Procedures For Determining Adequate Assurance of Payment For Future Utility Services, and (III) Prohibiting Utility Providers From Altering, Refusing, or Discontinuing Utility Service* (the "Utility Motion") (Docket No. 196) (the "Utility Order") and the *Order (I) Approving Debtors' Proposed Form of Adequate Assurance of Payment To Utility Providers, (II) Establishing Procedures For Determining Adequate Assurance of Payment For Future Utility Services, and (III) Prohibiting Utility Providers From Altering, Refusing, or Discontinuing Utility Service* [Docket No. 461] (the "Utility Order").

5. It is part of my job responsibility with FirstEnergy Service Corp. to: (A) review customer accounts with FirstEnergy; (B) address credit issues with FirstEnergy's customers; and (C) address issues concerning customers that file for bankruptcy protection, including requests for adequate assurance of payment.

6. FirstEnergy's relationship with the Debtors is governed by the following tariffs (the "FirstEnergy Tariffs") that are on file with the applicable state utility commissions and can be obtained at:

Penn Power, West Penn, Met-Ed and Penelec:

https://www.firstenergycorp.com/content/customer/customer_choice/pennsylvania/pennsylvania_tariffs.html

Mon Power:

https://www.firstenergycorp.com/customer_choice/west_virginia/west_virginia_tariffs.html

Potomac Edison:

https://www.firstenergycorp.com/content/customer/customer_choice/maryland/maryland_tariffs.html

Ohio Edison, CEI and TE:

https://www.firstenergycorp.com/content/customer/customer_choice/ohio/ohio_tariffs.html

JCP&L:

https://www.firstenergycorp.com/content/customer/customer_choice/new_jersey/new_jersey_tariffs.html

7. The FirstEnergy Tariffs establish: (a) the amount of security that FirstEnergy is entitled to seek from its customers under applicable state law; (b) that FirstEnergy must bill the Debtors monthly; and (c) the billing and payment terms for all of FirstEnergy's customers. Specifically, under the billing cycle established by the FirstEnergy Tariffs, a customer receives approximately one month of utility goods and/or services before FirstEnergy issues a bill for such charges, which is due on presentation. If payment is not made within 15-21 days of the invoice

date, a late payment charge at the rate of 1.5-2% percent per monthly billing period is applied to the account. Service may be terminated upon a customer's failure to pay a bill for utility service within 14-30 days from the date payment is due, but not until FirstEnergy has provided the customer with written notice that is mailed to the customer at the premises where service is rendered and 10-21 days to cure the payment default. Accordingly, a customer's account will not be terminated for non-payment of bills until at least 29-51 days after the service is provided.

8. FirstEnergy provided the Debtors with utility goods and services prior to the Petition Date and continues to provide post-petition utility goods and services to the Debtors at the Debtors' accounts that are listed on the chart attached to this Declaration as **Exhibit "A."** Exhibit A also lists the prepetition losses incurred by each FirstEnergy Operating Company.

9. The information regarding West Penn's prepetition accounts with the Debtors is as follows:

A. West Penn held a prepetition cash deposit in the amount of \$23,742 on the Debtor Sears' accounts. After the deposit was applied to the final prepetition balances on those accounts, there is a credit in the amount of \$6,870.84 that remains (the "West Penn Sears Credit").

10. As adequate assurance of payment pursuant to Section 366(c) of the Bankruptcy Code, West Penn is seeking a two-month cash deposit in the amount of \$221,372, which can be paid as follow:

A. West Penn to move the \$6,870.84 West Penn Sears Credit to the Debtor Sears' post-petition accounts with West Penn as a partial deposit payment; and

B. The Debtors tender a payment of \$214,501.16

11. Pursuant to the FirstEnergy Tariffs, FirstEnergy is entitled to seek adequate

assurance of payment from the Debtors in the form of a two-month cash deposit in the amounts set forth in Exhibit A, which is the amount FirstEnergy is seeking from the Debtors in these cases for the remaining active post-petition accounts that the Debtors have with FirstEnergy.

12. FirstEnergy is seeking a two-month deposit in this case because: (1) of the exposure created by its billing cycle.

13. For its non-bankrupt customers, FirstEnergy accepts security in the form of cash deposits, letters of credit or surety bonds, which are forms of security maintained by FirstEnergy.

14. Although FirstEnergy does not want its post-petition security to be in the form of money maintained in the Adequate Assurance Account, if the Court were to hold that the security provided to FirstEnergy is to be in that form, FirstEnergy would ask that the Utility Order be amended to include the following additional provisions to ensure that the money held in the Adequate Assurance Account is sufficient in amount and would be available for payment of unpaid post-petition bills:

A. The amount for the FirstEnergy operating companies be increased to the following amounts, which represent two times the average monthly bills for the active accounts that the Debtors still have with FirstEnergy:

- i. West Penn Power Company - \$214,501.16, with the balance to come from the West Penn Sears Credit of \$6,870.84;
- ii. Monongahela Power Company - \$12,758
- iii. Potomac Edison Company - \$43,150
- iv. Toledo Edison Company - \$7,896
- v. Metropolitan Edison Company - \$50,116

- vi. Jersey Central Power & Light Company - \$171,860
- vii. Pennsylvania Electric Company - \$80,832
- viii. The Cleveland Electric Illuminating Company - \$114,828
- ix. Ohio Edison Company - \$188,706
- x. Pennsylvania Power Company - \$15,818

B. The portion of the Adequate Assurance Deposit attributable to each Utility

Provider shall be returned to the Debtors after the Debtors' payment in full of all post-petition obligations due and owing to the applicable Utility Provider, which the Debtors shall confirm in writing with the applicable Utility Provider.

C. The Debtors agree to pay all post-petition charges of the Utility Providers by the applicable due date of the invoice, which is a due date established in accordance with applicable state laws, regulations and/or tariffs.

D. If the Debtors fail to pay a utility bill when due (including the passage of any cure period), the relevant Utility Provider shall provide notice of such default to the Debtors, and if within five (5) business days of such notice, the bill is not paid, the Utility Provider may file an application with the Court certifying that payment has not been made and requesting the amount due up to an aggregate maximum equal to the Adequate Assurance Deposit allocable to such Utility Provider.

E. Notwithstanding anything in the Motion, the Order or (i) the orders approving the Debtors' use of cash collateral and/or post-petition debtor-in-possession financing facilities (collectively, the "DIP Orders"); (ii) the other documentation governing the Debtors' use of cash collateral and post-petition financing facilities; and (iii) the Approved Budget (as defined in

the DIP Orders) to the contrary, there shall be no liens on the amounts in the Adequate Assurance Account for the Utility Providers that are higher in priority to the Utility Providers' rights and interests in the amounts contained and allocated in the Adequate Assurance Account for the Utility Providers. Moreover, the amounts contained in the Adequate Assurance Account shall remain available to the Utility Providers for the payment of post-petition charges even if the Debtors cases are converted to cases under Chapter 7 of the Bankruptcy Code.

I declare under penalty of perjury pursuant to 28 U.S.C. § 1746 that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed this 4th day of February 2019, at Fairmont/Marion County, WV



Walter Larnerd

**Company
Name**

EXHIBIT "A"

Sears Holdings Corporation

Penn Power

CHAPTER 11 - CASE # 18-23538
Filed 10/15/2018

Ohio Edison

CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
6719	Sears Roebuck & Co	4900 MIDWAY MALL BLVD	ELYRIA	OH	\$18,557.18	\$30,510.00
0810	Sears Roebuck & Co	600 RICHLAND MALL	MANSFIELD	OH	\$21,172.27	\$24,042.00
7053	Sears Roebuck & Co	1475 UPPER VALLEY PIKE	SPRINGFIELD	OH	\$10,222.00	\$11,948.00
6757	Cole Vision Corp	4260 KENT RD	STOW	OH	\$385.09	\$460.00
4804	Sears	1274 STATE ROUTE 303	STREETSBOR	OH	\$484.79	\$1,204.00
8103	Sears Dental #072	3750 W MARKET ST M	FAIRLAWN	OH	\$873.84	\$1,426.00
4228	Sears Roebuck & Co	1091 N COURT ST	MEDINA	OH	\$411.36	\$588.00
					Total	\$52,106.53
						\$70,178.00

Toledo Edison

CHAPTER 11 - CASE # 18-23538
Filed 10/15/2018

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CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
7415	Norman Adler & Assoc / Sears	4829 ESEARS GALAXY PKWY	WARRENSVI	OH	\$811.53	\$782.00
4399	Sears Roebuck & Co	4620 D HINCKLEY INDUSTRIAL PKWY	CLEVELAND	OH	\$2,175.94	\$2,126.00
0048	Sears Roebuck & Co	17271 SOUTHPARK CTR	STRONGSVIL	OH	\$6,652.57	\$21,686.00
0720	Sears Roebuck & Co	35101 EUCLID AVE	WILLOUGHBT	OH	\$3,958.99	\$6,206.00
6568	Sears	6656 N RIDGE RD	MADISON	OH	\$1,919.26	\$1,232.00
0634	Sears Roebuck & Co	8251 DAY DR	PARMA	OH	\$259.23	\$432.00
2179	Sears Roebuck & Co	470 GREAT NORTHERN MALL	NORTH OLM	OH	\$24,070.82	\$23,114.00
0053	Sears Roebuck & Co	7490 Broadview Rd	Parma	OH	\$4,809.53	\$6,550.00
7200	Sears Roebuck & Co	4620 Hinckley Industrial Pkwy Ste C	Cleveland	OH	\$391.69	\$592.00
0711	Sears	15661 W High St	Middlefield	OH	\$893.05	\$718.00
7202	Sears Roebuck & Co	6950 W 130th St	Middleburg	OH	\$7,104.12	\$15,646.00
					Total	\$53,046.73
						\$79,084.00

Potomac Edison

CHAPTER 11 - CASE # 18-23538
Filed 10/15/2018

Map Power

CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
1146	Sears	MEADOWBROOK MALL	BRIDGEPORT	WV	\$1,421.99	\$2,156.00
3467	Sears #2304A	MORGANTOWN MALL	WESTOVER	WV	\$11,869.22	\$10,602.00
				Total	\$13,291.21	\$12,758.00

West Penn Power

CHAPTER 11 - CASE # 18-23538
Filed 10/15/2018

Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
5243	Sears Automotive	NITTANY MALL	STATE COLLEGE	PA	\$0.00	\$1,060.00
3295	Sears #1714A	WESTMORELAND MALL	GREENSBURG	PA	(\$5,347.96)	\$27,546.00
5791	Sears #2114A	100 WASH CROWN CTR	WASHINGTON	PA	\$0.00	\$9,632.00
2831	Sears Roebuck & Co	300 BURSCA DR	BRIDGEVILLE	PA	\$0.00	\$0.00
7863	Sears Roebuck & Co	300 BURSCA DR	BRIDGEVILLE	PA	\$0.00	\$526.00
8154	Sears Optical #1317	GREENE PLZ	WAYNESBURG	PA	\$101.56	\$218.00
3888	Sears Optical #1374	HILLTOP DR	KITTANNING	PA	(\$1,624.44)	\$0.00
				Total	(\$6,870.84)	\$38,982.00

JCP&L

CASE # 18-23538

FILED 10/15/2018

Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
9250	Sears Holdings	Rockaway Townsquare Mall Mt Hope A	Rockaway	NJ	\$10,617.47	\$21,258.00
4377	Sears Holdings	112 Eisenhower Pky	Livingston	NJ	\$23,426.19	\$31,848.00
0352	Sears Holdings	1500 Rte 35	Middletown	NJ	\$16,718.81	\$28,122.00
0535	Sears Holdings	Seaview square Mall 2341 RT 66	Ocean	NJ	\$14,952.21	\$22,254.00
0642	Sears Holdings	Blk 605 Lot 64 1500 Hwy 35	Middletown	NJ	\$1,723.71	\$3,928.00
5797	Sears Holdings	1324 Wyckoff Rd	Neptune	NJ	\$1,084.02	\$1,748.00
0785	Sears Holdings MGT CORP	4010 RYTE 9 S	Howell	NJ	\$0.00	\$3,364.00
1768	Sears Holding	Sussex County Mall 13 RT 206	Newton	NJ	\$4,273.49	\$4,174.00
				Total	\$72,795.90	\$116,696.00

MET ED

CASE # 18-23538

FILED 10/15/2018

Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
2125	Sears Roebuck & Co	N Hanover Mall Carlisle St Str. 100	Hanover	PA	\$0.00	\$8,828.00
1573	Sears Holdings	3864 Easton Nazareth Hwy	Easton	PA	\$2,811.50	\$3,942.00
				Total	\$2,811.50	\$12,770.00

PENELEC

CASE # 18-23538

FILED 10/15/2018

Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
1225	Sears Roebuck & Co	540 Galleria Dr	Johnstown	PA	\$2,778.18	\$10,870.00
9706	Sears Holdings Corporation	Logan Valley	Altoona	PA	\$14,571.81	\$21,364.00
2388	Sears Authorized Dealer	926 1/2 W High St	Ebensburg	PA	\$105.63	\$474.00
				Total	\$17,455.62	\$32,708.00

Company Name
Kmart

EXHIBIT "A"

Penn Power

CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account	Customer Name	Address	City	State	Final Balance	2 Month S/D
2578	S S Kresge Co 7083	2650 LAWVLG ELLWOOD RD	NEW CASTLE	PA	\$4,146.38	\$14,576.00
				Total	\$4,146.38	\$14,576.00

Ohio Edison

CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account	Customer Name	Address	City	State	Final Balance	2 Month S/D
6093	Kmart Corp	555 SOUTH AVE	TALLMADGE	OH	\$11,941.55	\$16,010.00
5932	Kmart Corp	241 WOOSTER RD N	BARBERTON	OH	\$10,792.70	\$13,616.00
7806	Kmart Corp	9059 STATE ROUTE 14	STREETSBORO	OH	\$3,452.63	\$2,782.00
7784	Kmart Corp	3301 CENTER RD	BRUNSWICK	OH	\$12,811.73	\$16,686.00
5383	Kmart Corp	541 OAL PERKINS JONES RD NE	WARREN	OH	\$64,450.97	\$69,434.00
				Total	\$103,449.58	\$118,528.00

Toledo Edison

CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
5348	Kmart Corp	1821 SIGN W ALEXIS RD	TOLEDO	OH	\$58.58	\$0.00
				Total	\$58.58	\$0.00

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CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
6967	Kmart Corp	7701 BROADVIEW RD	SEVEN HILLS	OH	\$15,553.41	\$16,012.00
7655	Kmart Corp	17840 E BAGLEY RD	MIDDLEBURG HEIGHTS	OH	\$12,965.71	\$19,118.00
3094	Kmart Corp	7705 BROADVIEW RD	SEVEN HILLS	OH	\$239.69	\$614.00
				Total	\$28,758.81	\$35,744.00

Potomac Edison

CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
6282	Kmart Store #3172	1 VALLEY PLZ	HAGERSTOWN	MD	\$14,163.34	\$16,950.00
3392	Kmart Holding #1139	1003 W PATRICK ST	FREDERICK	MD	\$7,586.25	\$12,626.00
				Total	\$21,749.59	\$29,576.00

West Penn Power

CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
0035	Kmart Corporation	280 TOWER RD	CHAMBERSBURG	PA	\$214.69	\$596.00
5333	Kmart Holding	1475 NITTERHOUSE DR	CHAMBERSBURG	PA	\$0.00	\$6,460.00
6513	Kmart Corp DIP	NITTERHOUSE DR	CHAMBERSBURG	PA	\$37.38	\$0.00
6752	Kmart Corp DIP	NITTERHOUSE DR	CHAMBERSBURG	PA	\$74.79	\$0.00
4792	Kmart Holding #7372	451 HYDE PARK PLZ	LEECHBURG	PA	\$0.00	\$10,312.00
8785	SS Kresge Co Kmart Div	RIVERVIEW PLZ	NEW KENSINGTON	PA	\$6,166.85	\$10,900.00
0948	Kmart Holding	1475 NITTERHOUSE DR	CHAMBERSBURG	PA	\$29,548.15	\$62,622.00
1243	Kmart Holding	1475 NITTERHOUSE DR	CHAMBERSBURG	PA	\$900.15	\$44,090.00
1565	Kmart Holding	1475 NITTERHOUSE DR	CHAMBERSBURG	PA	\$6,883.26	\$47,410.00
				Total	\$43,825.27	\$182,390.00

JCP&L

CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
9532	Kmart Corporation	108 Monmouth Rd	West Long Branch	NJ	\$2,474.77	\$17,258.00
5631	Kmart Corporation	RT 36	West Long Branch	NJ	\$43.48	\$72.00
2209	Kmart Corporation	Plaza 35 1825 Rte 35	Wall	NJ	\$8,605.54	\$15,194.00
9643	Kmart Corporation	Kmart Plaza 213 Rt 37 E	Toms River	NJ	\$12,318.92	\$22,640.00
				Total	\$23,442.71	\$55,164.00

Met Ed

CHAPTER 11 - CASE # 18-23538						
Filed 10/15/2018						
Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month S/D
5053	Kmart Corporation	1745 Quentin Rd	Lebanon	PA	\$9,833.90	\$14,766.00

5244	Kmart Corporation	803 Male Rd	Wind Gap	PA	\$11,201.63	\$11,120.00
7786	Kmart Corporation	320 S 25th St	Easton	PA	\$13,093.41	\$11,460.00
				Total	\$34,128.94	\$37,346.00

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CHAPTER 11 - CASE # 18-23538

Filed 10/15/2018

Pre-Petition Account#	Customer Name	Address	City	State	Final Balance	2 Month \$/D
3293	Kmart Corporation	2873 W 26th St	Erie	PA	\$10,364.02	\$12,938.00
0838	Kmart Corporation	W Plank Rd	Altoona	PA	\$11,445.52	\$17,748.00
2271	Kmart Corporation	RT 6 Unit 1	Wysox	PA	\$7,729.97	\$17,438.00
				Total	\$29,539.51	\$48,124.00